

Message Text

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ACTION EB-04

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C O N F I D E N T I A L GENEVA 06722

LIMDIS

USEEC

PASS ELECTRONICALLY USDA FOR ASST. SEC. HATHAWAY AND
STR FOR AMB. WOLFE

STATE FOR ASST. SEC. KATZ

E.O. 11652: GDS
TAGS: EAGR ETRD OCON
SUBJECT: UNCTAD GRAIN NEGOTIATIONS

REF: STATE 111112

1. WE HAVE EMPHASIZED TO PIZZUTI HERE THE VIEW EXPRESSED
BY WOLFF IN WASHINGTON THAT INCLUSION BY EC OF
UTILIZATION ADJUSTMENTS IN ITS MENU OF MEASURES AND
SOME CLEAR UNDERSTANDING OF WHAT EC WOULD BE PREPARED
TO DO IN THIS REGARD, WOULD BE INDISPENSIBLE CONDITION
FOR U.S. WILLINGNESS TO CONSIDER OPTION 3. HOWEVER IT
IS CLEAR THAT EITHER EC DID NOT FULLY UNDERSTAND THIS
LINKAGE BASED ON ITS PERCEPTION OF WASHINGTON DISCUSSIONS
OR IS NOW CHOOSING TO IGNORE IT. ACCORDING TO PIZZUTI,
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RABOT LEFT WASHINGTON WITH THE IMPRESSION THAT THE U.S.
WAS PREPARED TO ACCEPT A CHOICE BETWEEN 3 AND 4 AND
THAT U.S. WOULD AGREE TO 4 IF THE EC ACCEPTED A
COMMITMENT ON UTILIZATION.

2. BOTH SIDES ARE IN AGREEMENT ON THE NEED FOR A
FURTHER HIGH LEVEL BILATERAL ON COARSE GRAINS BEFORE

THE NEXT INTERIM COMMITTEE MEETING AND THIS ISSUE WILL HAVE TO BE RESOLVED AT THAT TIME. ANOTHER POINT FOR HIGH LEVEL MEETING IS THE NEED TO CLEARLY ASCERTAIN AND EVALUATE WHAT CAN BE ACHIEVED ON COARSE GRAIN ACCESS THAT MIGHT WARRANT ACCEPTANCE OF ONE OF THE THREE COARSE GRAIN OPTIONS.

3. INFORMAL EC DEL COMMENTS APPEAR TO INDICATE THAT EC HAS CONCLUDED THAT OPTION 4 IS NOT VIABLE FROM THEIR POINT OF VIEW. EC STRATEGY SEEMS TO BE AIMED AT PRESENTATION OF OPTION 3 AS THE COMPROMISE OPTION (BETWEEN THE ARGENTINE PROPOSAL AND OPTION 4) AND STRENGTHENING THE DEGREE OF COMMITMENT, I.E. CONSULTATIONS WOULD BE DESIGNED TO PRODUCE JOINT RECOMMENDATIONS TO GOVERNMENTS FOR REMEDIAL ACTION IN EXTREME PRICE SITUATIONS WITH AT LEAST A STRONG MORAL OBLIGATION TO IMPLEMENT CORRECTIVE ACTION.

4. OTHER EXPORTERS CLEARLY DO NOT WANT TO GO BEYOND OPTION 2 AND CAME ON STRONG IN MEETING YESTERDAY IN INDICATING THAT OPTION 2 IS THEIR MAXIMUM POSITION. PRIVATELY THEY TOLD US THAT THEY WOULD ONLY RELUCTANTLY ACCEPT OPTION 3 IF COMPELLED TO DO SO BY US/EC AGREEMENT. CANADIAN DELEGATE POINTS OUT THAT IDENTIFICATION OF NOTIONAL PRICES FOR COARSE GRAINS WOULD LEAVE THEM EXPOSED POLITICALLY TO DISSATISFACTION ON THE PART OF CONFIDENTIAL

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THEIR OWN PRODUCERS AND WOULD THEREFORE ONLY CONSIDER IDENTIFICATION OF ANY PRICES IF APPLIED TO CORN ONLY. JAPAN'S POSITION IS STILL ESSENTIALLY UNKNOWN AT THIS POINT ALTHOUGH THERE IS LITTLE REASON TO ASSUME THAT THEY WOULD NOT GO ALONG WITH THE CROWD ON A PURELY CONSULTATIVE ARRANGEMENT. VANDEN HEUVEL

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